I. The President

Harken allegations

a) Insider Trading Allegations

Concerns have been raised that you may have engaged in insider trading in violation of securities law during your tenure as a Director of Harken Energy Corporation. Under 15 U.S.C. § 78u-1 (insider trading of securities based upon material nonpublic information), one who is in possession of information not yet available to the public and who trades in securities about which this information is pertinent can be fined up to $1,000,000 and/or imprisoned up to ten years. As Director of Harken Energy Corporation and the son of President George H.W. Bush, you were privy to substantial information not available to the general public prior to your June 22, 1990 sale of 212,000 shares of Harken stock. It has been well documented that, a mere two months after the sale of the stock, the price fell from $5.50/share to $1.25/share.

You were one of three members of Harken's audit committee as well as of a special "fairness committee" appointed to consider how its restructuring would affect the value of the company's outstanding shares. As such, several memoranda were addressed to you prior to this stock sale that provided substantial insider information about the troubled financial condition of Harken. Among these memoranda were the following:

- On February 1, 1990, Mikel D. Faulkner, President of Harken Energy, wrote to the Board of Directors: "It appears that our 1989 profitability will be in the range of $1.2 million. Although disappointing, this is consistent with the last projection which was made and provided to the Board… Although several accounting issues remain unresolved, it is anticipated that none of them should cause major changes either up or down in that projection."

- On April 20, 1990, just two months before your stock sale, Harken President Mikel Fauklner wrote to the Board of Directors that "two events have occurred which drastically affect Harken's current strategic plan with regard to seeking public funds to reduce our debt and provide equity for current capital opportunities," and that the development "greatly intensifies our current liquidity problem."

- On June 7, 1990, just two weeks before your stock sale, another memo from Faulkner warned of a "Harken International shutdown effective June 30, unless third party funding [is] obtained," and discussed plans to lay off 40 employees. The memo said the company had lost $28.5 million in trade credit since Jan. 1, and another $11.8 million was "in jeopardy," and said "most companies that have seen [the company's annual report] are nervous."

Some have alleged that you were acutely aware of this information. According to a June 15, 1989 letter from Harken President Mikel Faulkner you frequently advised Harken management on "organizational and strategic matters." In the letter, Faulkner praised you for "the

positive image you have helped create regarding Harken Energy Corporation, the intuitive analysis you have provided on our various acquisitions, operating decisions at the board level and the personal suggestions and ideas you have shared with me over the past two years on a CEO to CEO basis" and said, "I consider the role which you play at Harken Energy Corporation to be a very meaningful and significant role and look forward to a continuing relationship."

Additionally, there are concerns that, as the son of the President of the United States at a time when the White House, but not the general public, was well aware of the aggressive intentions of Saddam Hussein in the lead up to the Persian Gulf conflict, you may have been privy to this information. It was also well known that such a conflict would cause substantial disruptions in the oil industry.

There are concerns that you knew that any stock sale based upon insider information was a serious offense because you were so informed in a June 15, 1990 memorandum, one week before your stock sale, by Harken's attorneys at the firm of Haynes and Boone, with the subject line "Liability for Insider Trading and Short-Swing Profits." The memo states the following: "If the insiders presently possess *any* material non-public information, a sale of any of their shares could be viewed critically."

Defending against these allegations, your representatives have asserted that you always intended to sell the Harken stock, an assertion which is also contradicted by documentary evidence. In fact, you signed a letter of intent, a so-called "lockup letter," promising not to sell any Harken stock for at least six months, but then sold it two and a half months later.

b) Alleged Efforts to Conceal Insider Trading Violations

There are concerns that you may have attempted to conceal your alleged insider trading acts which, if true, would violate 15 U.S.C. § 78j(b) (securities fraud), the general antifraud provision of the Securities Exchange Act, which prohibits the use of "any manipulative or deceptive device or contrivance" in connection with the purchase or sale of securities. Violations include filing false or misleading statements with the Securities and Exchange Commission. Penalties for violating the general antifraud provision are found at 15 U.S.C. section 78ff(a) and permit fines up to $1,000,000 (up to $2,500,000 if other than a natural person) and/or imprisonment up to ten years.

As has been widely reported, you failed to file the required Form 4, a required notice for an insider's stock trade, until eight months after the sale. You have given conflicting explanations for this failure. In 1992, you blamed your Commission, asserting that *the SEC lost the Form 4*. However, on July 3 of this year, you, speaking through your Press Secretary said there was a "mixup *with the attorneys* dealing with the Form 4, and it was filed later."

There are concerns that you knew that filing this form was an urgent matter but nonetheless did not file it:

- A January 19, 1990 memo from Harken counsel Larry Cummings to you emphasized the importance of the filing: "[p]robably the most outstanding feature of changes in this rule will be the requirement that a disclosure be made by the company in its proxy or 10K concerning late Form 3 or 4 filings ... Please examine your records and files to be certain that this information is current concerning your beneficial ownership of Harken stock and there have been no other transactions since such date which have not been disclosed."

- On March 14, 1990 a Public Common Stock Offering was presented to the Board of Directors, which stated, "In working and planning toward the public offering which will be priced based on the market price for the Company's common stock established on or about Closing, it is appropriate for the Company to take reasonable steps and measures to avoid fluctuations in the market price," the document notes. Among those steps: "Exercise caution regarding insider and related party transactions."

- An October 5, 1989 memo from Harken counsel Larry Cummings to you urged you to rectify the situation: "I could not find where Form 4 had been filed covering the 25,000 shares you purchased this year ... If you have no record of filing one, please sign the enclosed 5 copies of a Form 4 and return them to me".

c) Allegations Concerning False Statements Made Under Oath

Moreover, there are concerns that the Form 4 itself contains indicia of a possible attempt to conceal its late filing which may constitute a violation of 18 U.S.C. § 1001 (false statements)–among other things, this covers in any matter within the jurisdiction of the federal Executive, Legislative or Judicial Branches, knowingly and willfully falsifying, concealing, or covering up by any trick, scheme, or device a material fact; making any materially false, fictitious, or fraudulent statement or representation; or making or using any false writing or document, knowing that it contains a materially false, fictitious, or fraudulent statement or entry. Maximum penalties include imprisonment of not more than 5 years, a fine under Title 18, U.S.C.5 or both. The fact is that the **only** form that has come to light that you failed to inscribe with the appropriate date, was this belated Form 4. Other forms submitted to the SEC by you on June 22, 1990; April 13, 1987; April 12, 1987 and October 6, 1989 were all dated. In context, such an omission appears to be an intentional effort to conceal the trade.

2. Lack of Investigation of Harken

Contrary to your assertion that "[t]his was fully looked into by the SEC, and there's nothing there," there are concerns that the SEC investigation of Harken can be characterized as cursory, charitably speaking. You were never interviewed, nor were other prominent Harken officers and the Chairman of the SEC was appointed by your father and the General Counsel, James A. Doty, was your attorney in your purchase of the Texas Rangers baseball team. It is, therefore, alleged that a clear that a fair, impartial and complete investigation has yet to occur.

3. Need for Full Disclosure

On July 8, you invited the media to "look back on the director's minutes" and SEC documents concerning your Harken dealings. However, since then, you have refused to ask Harken or the SEC to disclose those documents.

II. The Vice-President

Halliburton

a) Securities Fraud Allegations

There are concerns that, while CEO of Halliburton Co., Vice President Cheney may have participated in fraudulent securities transactions under under 15 U.S.C. § 78j(b) (securities fraud), the general antifraud provision of the Securities Exchange Act, which prohibits the use of "any manipulative or deceptive device or contrivance" in connection with the purchase or sale of securities. Violations include filing false or misleading statements with the Securities and Exchange Commission. Penalties for violating the general antifraud provision are found at 15 U.S.C. section 78ff(a) and permit fines up to $1,000,000 (up to $2,500,000 if other than a natural person) and/or imprisonment up to ten years.

As CEO of Halliburton, the Vice-President oversaw a change in its accounting practices that enabled the company to postpone possible losses of hundreds of millions of dollars. However, Halliburton did not reveal the change to investors for more than a year after its institution.

There is troubling information in the factual record that has raised concerns that the Vice-President knew about these fraudulent accounting practices. The current CEO of Halliburton, David Lesar, has indicated that the Vice-President was well aware of those accounting practices. In addition, a 2000 memo from Terry Hatchett, the Arthur Anderson partner who managed the Halliburton account, indicates that he worked closely with the Vice-President. Finally, while he was an executive at Halliburton, the Vice-President recorded a videotaped endorsement of Anderson's accounting practices.

b) Insider Trading Allegations

There are concerns that the Vice-President may have engaged in insider trading in violation of securities law while divesting himself of Halliburton holdings. Under 15 U.S.C. §78u-1 (insider trading of securities based upon material nonpublic information), one who is in possession of information not yet available to the public and who trades in securities about which this information is pertinent can be fined up to $1,000,000 and/or imprisoned up to ten years.

After being named as your running mate in 2000, the Vice President divested himself of Halliburton holdings. If the Vice President indeed knew about the fraudulent accounting practices at Halliburton, he would, of course, have known about the deleterious effect these practices would have on the value of his Halliburton shares if they were revealed. This raised concerns that the Vice-President may have traded based on inside information and, therefore, violated insider trading laws.

c) Dealings with Iraq

In addition, it is now uncontroverted that, while the Vice President was CEO of Halliburton, the company signed contracts with Iraq worth $73 million. During the 2000 campaign, the Vice President claimed that Halliburton had a "firm policy" of not doing business with Iraq. However, this contention has been adamantly denied by Halliburton officials. Given this Administration's stated intention of invading Iraq in the near future, it is important to set the record straight so that Congress can appropriately evaluate and place into context any request to commit troops to this endeavor.

d) Need for Full Disclosure

Unfortunately, Vice President Cheney and his spokesperson have refused to answer questions about this matter, imposing a blanket policy that the Vice President won't "discuss Halliburton issues."

III. Deputy Attorney General (Larry Thompson)

Enron

The head of the your "Swat Team" on corporate crime is Deputy Attorney General Larry Thompson. Unfortunately, he – too – is under an ethical and legal cloud in these matters. He already has rejected Ranking Member Conyers call, months ago, to recuse himself from the Department's decisions in the Enron scandal, because he had received benefits from--and might be receiving a pension from--a law firm that has substantially represented Enron. That raises a concerns that he will not vigorously pursue the case against Enron. To date, not one criminal action has been brought against any individual in the Enron matter.

Providian

The Deputy Attorney General was also on the board of Providian Financial Corporation and chaired its compliance and audit committee, at a time when--to put it very charitably--Providian was not only unscrupulously enticing and exploiting the poorest class of debtors, but also inflating earnings by excessive charges and by engaging in shady lender practices that violated federal and state consumer protection rules. His spokesman has claimed that he only learned of these practices only after regulators made inquiries. If this assertion is true, and the

chair of a compliance committee was unaware of rampant fraud at his own company, that raises concerns that he is not alert enough to competently investigate corporate misdeeds.

IV. Secretary of the Army (Thomas White)

Enron

a) Insider Trading Allegations

The Secretary of the Army was Vice President of Enron's Energy Services Unit, one of the company's components engaged in its most egregious accounting practices. In 1981, between June and October, he unloaded over $12 million worth of Enron stock. Investigators are assessing whether this violated 15 U.S.C. § 78u-1 (insider trading of securities based upon material nonpublic information), under which one who is in possession of information not yet available to the public and who trades in securities about which this information is pertinent can be fined up to $1,000,000 and/or imprisoned up to ten years.

b) Alleged Failure to Divest/Disclose Enron Contacts

While the Senate Armed Service Committee specifically requested that Mr. White sell his 405,710 shares of Enron stock within 90 days of his appointment in May 2001, he actually held onto the stock much longer. Over half of the stock was not sold until October 2001. It has been revealed that Mr. White had numerous conversations with Enron officials prior to the company's filing of its 2001 October quarterly earning report revealing major loses. These conversations are undisputed and Mr. White has admitted to having at least 84 meetings or telephone conversations with current and former Enron executives. Forty-nine of these conversations occurred in the three-and-half-month period between August 14, 2001 (the date Jeff Skilling stepped down as CEO of Enron) and December 3, 2001 (the date Enron filed for Chapter 11 bankruptcy). Mr. White finally disavowed his Enron stock options eight months after his appointment.

c) Enron Securities Fraud Allegations

It has been alleged that, while Vice President of Enron's Energy Services Unit, Mr. White participated in securities fraud under 15 U.S.C. § 78j(b) (securities fraud), the general antifraud provision of the Securities Exchange Act, which prohibits the use of "any manipulative or deceptive device or contrivance" in connection with the purchase or sale of securities. Violations include filing false or misleading statements with the Securities and Exchange Commission. Penalties for violating the general antifraud provision are found at 15 U.S.C. section 78ff(a) and permit fines up to $1,000,000 (up to $2,500,000 if other than a natural person) and/or imprisonment up to ten years

Enron Energy Services (EES) was a "retail energy business" that competed with utilities and other energy companies to supply commercial, industrial, and government customers with natural gas and electricity. Enron created EES in 1997 to take advantage of state deregulation of the power industry and to function outside the normal market rules. EES's goal was to undersell so as to increase its retail customer base and market share. It also promised to cut its clients' energy costs by installing energy-saving equipment and finding cheaper natural gas and electricity.

EES operated as a freestanding company; however, its results were included in Enron's financial statements. It was organized so that it could use a financial reporting technique called mark-to-market accounting.

Mark-to-Market Accounting

In traditional accounting practices, profits are declared according to when goods are delivered to a customer. However, mark-to-market accounting immediately books all profits from a long-term contract. Former employees have stated the EES used this accounting practice to inflate its profits. In 2000, while Mr. White was vice president, EES reported $165 million in operating profit on $4.6 billion in sales in contract to a loss of $68 million on sales of $1.8 billion in 1999. These profits turned out to be illusory - EES lacked the controls and the scrutiny that would have offered a realistic picture. Mr. White signed off on the use of "mark-to-market" accounting. EES deliberately used questionable revenue assumptions to create "illusionary earnings."

Former employees have also stated that Mr. White approved the use of aggressive accounting methods that eventually made the unit appear profitable when it was not. Indeed, there appears to be overwhelming evidence that White knew about this fraud:

- Steve Barth, former vice president of special projects for EES said, "Tom White was there every step of the way. He was the leader. He signed off on the contracts that some people have criticized because it's mark-to-market. It wasn't his idea, but he implemented the execution."

- An un-named former senior vice president, who worked closely with White said, "I sat in on those meetings with Tom. He knew we were losing money, and we all agreed, Tom included, that we needed to do whatever we could to make EES look like it was making a profit."

- Lance Dohman, a salesman who worked for EES from 1997 until late 2000 said, "Anyone who worked at EES between 1997 and 2000 knew that EES was losing a ton of money. In the early days, there was a lot of turnover at EES. Pai and White would have daily meetings, sometimes on a conference call to pump us up. Deregulation was just starting in California and we were unsuccessful there. But White said Wall Street has to think we are kicking the heck out of the utilities in California by stealing their customers."

Fake Trading Floor

Several former EES employees said that White was part of a plan in January 1998 to fool Wall Street analysts into thinking the EES trading floor was far more active than it really was. At the time, the company allegedly asked dozens of secretaries and other staff to pretend to be trading energy on a fake trading floor to impress analysts visiting Enron's Houston headquarters. White had not yet been appointed Vice Chairman of EES, but he was in charge of Enron's renewable energy power plants and other ventures, and he worked closely with EES. Former salesman Lance Dohman said: "All the senior management was there — Jeff Skilling, Ken Lay, Lou Pai, and Tom White. Then the countdown started, 30 minutes before the analysts arrived, then 15 minutes. Then the analysts began walking through, and Jeff Skilling says, 'Gentlemen, behold: This is where we track the deals in real time.' The problem was the computer was not plugged into anything."

Former EES administrative assistant Kim Garcia, who was drafted as a fake trader, said "We referred to Tom White as 'the General' in those days. He was with Lou Pai and Jeff Skilling walking around the floor with more than 100 analysts, showing them how everything worked. We would watch to see out of the corner of my eye when they were going to come over to my area."

EES and California Electricity Market

Internal Enron memos suggest that EES was involved in one of the strategies — "Fat Boy" — that was intended to manipulate the California electricity market. "Fat Boy" was a strategy whereby Enron's wholesale energy division Enron Power Marketing Inc. (EPMI) deliberately overstated demand to increase the amount of power it sold in the California Independent System Operator (ISO) Corporation's real-time electricity market. EPMI would submit a phony power schedule that overstated EES's demand for power. The excess power would then be available for purchase in the real-time market, where they could get prices as high as $1200 per megawatt. It is unlikely that phony schedules could have been submitted by EPMI on behalf of EES without EES being aware of deceit. Several investigatory agencies, including the California Attorney General's office theorize that EES was complicit in Enron's willingness to jeopardize California's electricity grid.

Another factor that strengthens the theory that EES facilitated EPMI's manipulation of the California market is both EPMI's and EES's role as scheduling coordinators in the California electricity scheme. Scheduling Coordinators were power traders and buyers that had to balance electricity loads (demand had to equal the power available). Scheduling Coordinators communicated with each other several times a day informally to balance loads. Both EES and EPMI were Schedule Coordinators, therefore, the entities had unfettered ability to communicate and arrange false load requests.

EES abandoned offering residential customers power in 1999, after being soundly beaten by other competitors in the marketplace and economic issues that could not be surmounted.

Since the California Power Exchange (PX), was a direct competitor with EES, and there was no way EES could sell power cheaper than the PX because of the way the market was designed. EES was at a competitive disadvantage at the start. It is theorized that Enron needed EES to provide false loads to EPMI, which was making exorbitant sums off of California trading in the real time market. Therefore, EES had to look viable in order to maintain the market games EPMI was playing, so the mark-to-market accounting was essential in covering the market scam that Enron was executing on the California consumers.

The memos describing the EES and EPMI trading strategies were written in December 2000 when Mr. White served as Vice Chairman of EES.